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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 13, 2001

APPLICATION OF

TENASKA VIRGINIA II PARTNERS, L.P.

CASE NO. PUE010429

For approval of a certificate of public convenience and necessity pursuant to Va. Code § 56-265.2, an exemption from Chapter 10 of Title 56, and interim approval to make financial commitments and undertake preliminary construction work

ORDER FOR NOTICE AND HEARING

On August 15, 2001, Tenaska Virginia II Partners, L.P. ("Tenaska Virginia II" or the "Applicant"),¹ filed an application requesting that the State Corporation Commission (the "Commission") grant the Applicant a certificate of public convenience and necessity pursuant to § 56-265.2 of the Code of Virginia (the "Code") to construct in Buckingham County, Virginia an approximately 900 MW natural gas-fired, combined cycle power plant (the "Facility") with commercial operation to commence by Summer 2004.

The Facility site is located on the east side of Route 670, approximately one mile southeast of New Canton. The Facility would be interconnected to Dominion Virginia Power's 230kV Bremono

to Farmville transmission line that traverses the Facility's site. Natural gas for the facility would be provided by a new lateral pipeline of approximately 14 miles with service from the interstate pipeline facilities of Transcontinental Gas Pipeline Corporation ("Transco"). Transco would construct, own, and operate the lateral pipeline.

Also in its application, pursuant to § 56-265.2 B of the Code, Tenaska Virginia II seeks an exemption from the provisions of Chapter 10 of Title 56 (§ 56-232 et seq.) ("Chapter 10"). In support of its exemption request, Tenaska Virginia II states that it anticipates that all of the electricity produced by the Facility will be sold on a wholesale basis or transferred through an energy conversion services arrangement to an energy marketing entity not affiliated with Tenaska Virginia II or Tenaska, Inc., and that the Applicant will not provide retail electric service to customers in the Commonwealth. The Applicant further explains that no utility with rates regulated under Chapter 10 has a financial or ownership interest in Tenaska Virginia II. Therefore, the Applicant states that no portion of the cost of the Facility will be included in the rate base of any utility subject to ratemaking pursuant to Chapter 10, and that the Applicant appropriately may be exempted.

¹ The Applicant states that Tenaska Virginia II is a limited partnership whose general partner is Tenaska Virginia II, Inc. Tenaska, Inc. provides development services to Tenaska Virginia II.

Finally, Tenaska Virginia II requests that the Commission grant interim approval to the Applicant to make financial expenditures and undertake preliminary construction work, pursuant to § 56-234.3 of the Code.

In support of its application, Tenaska Virginia II states that the Facility will have no material adverse effect upon the rates paid by customers of any regulated public utility in the Commonwealth, or upon the reliability of electric service provided by those utilities.² The Applicant argues that the Facility will promote the public interest by providing economic benefit to Buckingham County, Virginia and the surrounding area through the increased tax base and employment opportunities the approximately \$250 million Facility will offer. Further, Tenaska Virginia II states that the Facility will enhance the competitive market for wholesale electricity, and provide future generation capacity. The Applicant represents that the Facility will be constructed and operated to minimize any adverse environmental impact.

NOW THE COMMISSION, having considered the application, is of the opinion and finds that the matter should be docketed, notice of the application should be given to the public, interested persons should have an opportunity to comment on, or

² The Applicant has received a system impact study from Dominion Virginia Power Company and included the study in its application.

to participate in, this matter, the Commission Staff should investigate Tenaska Virginia II's proposal and present its findings to the Commission, and a hearing should be scheduled in this matter.

Accordingly, IT IS ORDERED THAT:

(1) Tenaska Virginia II's application for a certificate of public convenience and necessity is docketed and assigned Case No. PUE010429.

(2) Pursuant to 5 VAC 5-20-120 of the Commission's Rules of Practice and Procedure (the "Rules"), a Hearing Examiner is appointed to conduct all further proceedings in this matter.

(3) A public hearing for the purpose of receiving evidence relevant to the application is scheduled for December 10, 2001, at 10:00 a.m. in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia.

(4) Tenaska Virginia II shall promptly make a copy of its application and other materials available to the public who may obtain copies, at no charge, by making a request in writing from counsel for the Applicant, John M. Holloway III, Esquire, and Richard D. Gary, Esquire, Hunton & Williams, Riverfront Plaza - East Tower, 951 East Byrd Street, Richmond, Virginia, 23219-4074. The application and other materials filed in this docket may also be reviewed during regular business hours at the

Commission's Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia.

(5) On or before September 21, 2001, the Applicant shall serve a copy of its application and this Order, by personal delivery or by first class-mail, postage prepaid, to: The Honorable John Paul Woodley, Jr., Secretary of Natural Resources, P.O. Box 1475, Richmond, Virginia 23218; Dennis H. Treacy, Director, Department of Environmental Quality, P.O. Box 10009, Richmond, Virginia 23240-0009; and to each investor owned and cooperative electric utility in the Commonwealth as listed in Appendix A to this Order.

(6) On or before October 1, 2001, the Applicant shall cause the following notice to be published as display advertising (not classified) in newspapers having general circulation in the Counties of Buckingham, Fluvanna, and Cumberland:

NOTICE OF AN APPLICATION OF
TENASKA VIRGINIA II PARTNERS, L.P.
FOR A CERTIFICATE OF PUBLIC CONVENIENCE
AND NECESSITY TO CONSTRUCT AN
ELECTRIC GENERATION FACILITY IN
BRUNSWICK COUNTY, VIRGINIA
CASE NO. PUE010429

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Finally, Tenaska Virginia II requests that the Commission grant interim approval to the Applicant to make financial expenditures and undertake preliminary construction work, pursuant to § 56-234.3 of the Code. Interested parties and the Staff may comment on this request for interim authority on or before October 15, 2001.

In support of its application, Tenaska Virginia II states that the Facility will have no material adverse effect upon the rates paid by customers of any regulated public utility in the Commonwealth, or upon the reliability of electric service provided by those utilities. The Applicant argues that the Facility will promote the public interest by providing economic benefit to Buckingham County, Virginia and the surrounding area through the increased tax base and employment opportunities the approximately \$250 million Facility will offer. Further, Tenaska Virginia II states that the Facility will enhance the competitive market for wholesale electricity, and provide future generation capacity. The Applicant represents that the Facility will be constructed and operated to minimize any adverse environmental impact.

A public hearing for the purpose of receiving evidence relevant to the application is scheduled for December 10, 2001, at 10:00 a.m. in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia.

A copy of the application and other materials may be obtained, at no charge, by making a request in writing to counsel for the Applicant, John M. Holloway III, Esquire, and Richard D. Gary, Esquire, Hunton & Williams, Riverfront Plaza - East Tower, 951 East Byrd Street, Richmond, Virginia, 23219-4074. The application and other materials filed in this docket may also be reviewed during regular business hours at the Commission's Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia. A copy of the Commission's Order establishing the proceeding, outlining details for participation, and setting forth the complete procedural schedule is available from the Commission's Web site, www.state.va.us/scc/caseinfo/orders.htm.

On or before November 1, 2001, any person or entity desiring to comment in writing on Tenaska

Virginia II's application may do so by directing such comments to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. Any person or entity desiring to make a statement at the public hearing concerning the application need only appear in the Commission's second floor courtroom in the Tyler Building at the address set forth above.

On or before November 1, 2001, any person or entity desiring to participate in this proceeding as a respondent as provided by 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure shall file an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission at the address set forth above and shall be a party to the proceeding. All notices of participation shall contain: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent now known; and (iii) the factual and legal basis for the action.

On or before November 8, 2001, any respondent shall file an original and fifteen (15) copies of the prepared testimony and exhibits the respondent intends to present at the hearing with the Clerk of the Commission at the address set forth above.

All comments, notices of participation, and prepared testimony and exhibits shall refer to Case No. PUE010429. Copies of the same shall be, in addition to being filed with the Clerk of the Commission, simultaneously served on counsel for Tenaska Virginia II at the address set forth above.

TENASKA VIRGINIA II PARTNERS, L.P.

(7) On or before October 15, 2001, any interested party and the Staff may comment on Tenaska Virginia II's request for interim authority to make financial expenditures and to

undertake preliminary construction work pursuant to § 56-234.3 of the Code by filing such comments with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. A copy of the same shall simultaneously be served on counsel for Tenaska Virginia II at the address set forth in Ordering Paragraph (4) above. All comments shall refer to Case No. PUE010429.

(8) On or before November 1, 2001, any person or entity desiring to comment in writing on Tenaska Virginia II's application may do so by directing such comments with the Clerk of the Commission at the address set forth in Ordering Paragraph (7) above. A copy of the same shall simultaneously be served on counsel for Tenaska Virginia II at the address set forth in Ordering Paragraph (4) above. All comments shall refer to Case No. PUE010429. Any person desiring to make a statement at the public hearing concerning the application need only appear in the Commission's second floor courtroom in the Tyler Building at the address set forth in Ordering Paragraph (3) above.

(9) On or before November 1, 2001, any person or entity desiring to participate in this proceeding as a respondent as provided by 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure shall file an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission at the address set forth in Ordering Paragraph (7)

above and shall be a party to the proceeding. All notices of participation shall refer to Case No. PUE010429 and shall contain: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Copies of the same shall be simultaneously served on counsel for Tenaska Virginia II at the address set forth in Ordering Paragraph (4) above.

(10) On or before November 8, 2001, any respondent shall file an original and fifteen (15) copies of the prepared testimony and exhibits the respondent intends to present at the hearing with the Clerk of the Commission at the address set forth above. All prepared testimony and exhibits shall refer to Case No. PUE010429. Copies of the same shall be simultaneously served on counsel for Tenaska Virginia II at the address set forth in Ordering Paragraph (4) above.

(11) Commission Staff shall analyze Tenaska Virginia II's application and, on or before November 26, 2001, shall file with the Clerk of the Commission an original and fifteen (15) copies of the prepared testimony and exhibits the Staff intends to present at the public hearing.

(12) On or before December 3, 2001, the Applicant shall file with the Clerk of the Commission an original and fifteen (15) copies of any testimony it expects to introduce in rebuttal

to any direct prefiled testimony of the Commission Staff and respondents. The Applicant also shall hand-deliver a copy of such rebuttal testimony to Commission Staff.

(13) At the commencement of the hearing scheduled herein, the Applicant shall provide to the Commission proof of the notice and service required by Ordering Paragraphs (5) and (6) herein.

(14) The Applicant and respondents shall respond to written interrogatories or data requests within ten (10) days after the receipt of such requests. Except as so modified herein, discovery and hearing preparation procedures shall be in accordance with Part IV of the Rules.